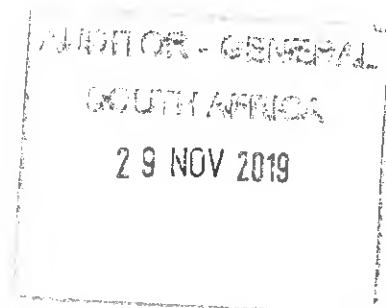


**Sundays River Valley Municipality  
Adjusted Annual Financial Statements  
for the year ended 30 June 2019**



# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## General Information

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<b>Legal form of entity</b>	<p>Sundays River Valley Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (No 117 of 1998).</p> <p>The municipality's operations are governed by:</p> <ul style="list-style-type: none"><li>- Municipal Finance Management Act (No 56 of 2003)</li><li>- Municipal Structures Act (No 117 of 1998)</li><li>- Municipal Systems Act (No 32 of 2000) and various other acts and regulations.</li></ul>
<b>Nature of business and principal activities</b>	<p>The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provides services like water, electricity, sewerage and sanitation to the community</p>
<b>Mayoral committee</b>	
Executive Mayor	NG Bixa
	SH Rune- Speaker
Councillors	F Adams- Portfolio Head: Community Services
	PR Blou- Portfolio Head: Technical Services
	K Smith- Portfolio Head: IDP and LED Services
	NG Kausele- MPAC Chairperson
	A Dancey
	L Erasmus
	N Jack
	M Bosman
	SC Nodonti
	MC Payi
	LE Baka
	ZA Tom
	A Ndawo
	TH Blowu
<b>Grading of local authority</b>	2
<b>Accounting Officer</b>	Sydney Sakhekile Fadi mm@srvm.gov.za
<b>Chief Finance Officer (CFO)</b>	Nkosazana Ponco nkosazanap@srvm.gov.za
<b>Registered office</b>	30 Middle Street Kirkwood 6120
<b>Postal address</b>	P.O. Box 47 Kirkwood 6120
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General South Africa
<b>Attorneys</b>	Pumeza Bono Incorporated Le Roux Inc Attorneys Karsans Incorporated B Mashile 1st Attorneys

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Index

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The reports and statements set out below comprise the adjusted annual financial statements presented to the Council:

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MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Works Programme
FMG	Financial Management Grant
MSIG	Municipal Systems Improvement Grant
WSIG	Water Services Infrastructure Grant
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
IAS	International Accounting Standards
GRAP	Generally Recognised Accounting Practise
DSRAC	Department of Sports, Recreation, Arts and Culture
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
PAYE	Pay As You Earn
SARS	South African Revenue Services

## **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

### **Accounting Officer's Responsibilities and Approval**

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the adjusted annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the adjusted annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the adjusted annual financial statements and were given unrestricted access to all financial records and related data.

The adjusted annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The adjusted annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

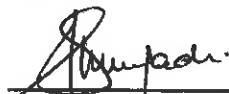
The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the adjusted annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of its operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's adjusted annual financial statements.

The adjusted annual financial statements set out on page 6 to 75 which have been prepared on the going concern basis, were approved by the Accounting Officer on 22 November 2019 and were signed on its behalf by:



Sidney Sakhekile Fadi  
Accounting Officer

# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

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The Accounting Officer submits his report for the year ended 30 June 2019.

### **1. Review of activities**

#### **Main business and operations**

The municipality is a South African Category B.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net surplus of the municipality was R 28 702 164 (2018: restated surplus R 65 847 468).

### **2. Going concern**

The adjusted annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Auditors**

Auditor General South Africa will continue in office for the next financial period.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	311 718	169 130
Receivables from exchange transactions	9&11	26 559 651	27 683 427
Receivables from non-exchange transactions	10&11	22 921 128	28 617 866
Cash and cash equivalents	12	626 163	12 614 053
		<b>50 418 660</b>	<b>69 084 476</b>
<b>Non-Current Assets</b>			
Investment property	3	20 715 500	20 715 500
Property, plant and equipment	4	684 000 015	620 451 964
Intangible assets	5	5 169 571	4 248 888
Heritage assets	6	322 483	322 483
		<b>710 207 569</b>	<b>645 738 835</b>
<b>Total Assets</b>		<b>760 626 229</b>	<b>714 823 311</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	13	1 054 545	1 149 932
Payables from exchange transactions	16	62 164 992	52 872 502
VAT payable	17	637 189	2 883 835
Consumer deposits	18	63 246	62 311
Employee benefit obligation	7	532 605	779 626
Unspent conditional grants and receipts	14	368 069	2 417 888
		<b>64 820 646</b>	<b>60 166 094</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	408 479	1 213 811
Employee benefit obligation	7	4 778 343	4 282 428
Provisions	15	26 691 777	13 936 157
		<b>31 878 599</b>	<b>19 432 396</b>
<b>Total Liabilities</b>		<b>96 699 245</b>	<b>79 598 490</b>
<b>Net Assets</b>		<b>663 926 984</b>	<b>635 224 821</b>
Accumulated surplus		663 926 984	635 224 821

\* See Note 45

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	28 358 803	32 855 503
Rental of facilities and equipment		52 894	59 059
Interest received - Rates and service charges		3 163 133	4 175 839
Agency services	22	3 553 968	2 576 162
Licences and permits	23	1 467 906	1 662 954
Other income	26	689 954	600 187
Interest received - investment		1 573 089	1 498 102
<b>Total revenue from exchange transactions</b>		<b>38 859 747</b>	<b>43 427 806</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	27	36 623 757	34 210 263
Licences and Permits (Non-exchange)	24	13 305	2 888
<b>Transfer revenue</b>			
Government grants & subsidies	28	153 130 128	172 517 194
Public contributions and donations	29	1 295 882	52 942
Fines, Penalties and Forfeits	21	6 688 633	2 767 547
<b>Total revenue from non-exchange transactions</b>		<b>197 751 705</b>	<b>209 550 834</b>
<b>Total revenue</b>	19	<b>236 611 452</b>	<b>252 978 640</b>
<b>Expenditure</b>			
Employee related costs	30	(69 919 809)	(62 060 186)
Remuneration of councillors	31	(7 025 581)	(6 818 798)
Depreciation and amortisation	32	(32 893 047)	(28 082 852)
Finance costs	33	(2 455 062)	(1 944 961)
Lease rentals	25	(1 014 786)	(869 669)
Debt Impairment	34	(18 049 963)	(13 441 695)
Bulk purchases	35	(21 787 093)	(20 200 443)
Contracted services	36	(23 076 305)	(20 593 455)
Loss on disposal		-	(4 571 904)
General Expenses	37	(31 687 642)	(28 547 209)
<b>Total expenditure</b>		<b>(207 909 288)</b>	<b>(187 131 172)</b>
<b>Surplus for the year</b>		<b>28 702 164</b>	<b>65 847 468</b>

\* See Note 45

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	575 503 506	575 503 506
Adjustments		
Correction of errors	(6 126 153)	(6 126 153)
<b>Restated reported balance as at 30 June 2017</b>	<b>569 377 353</b>	<b>569 377 353</b>
Changes in net assets		
Surplus for the year	65 847 468	65 847 468
Total changes	65 847 468	65 847 468
<b>Restated* Balance at 01 July 2018</b>	<b>635 224 820</b>	<b>635 224 820</b>
Changes in net assets		
Surplus for the year	28 702 164	28 702 164
Total changes	28 702 164	28 702 164
<b>Balance at 30 June 2019</b>	<b>663 926 984</b>	<b>663 926 984</b>
Note(s)		

\* See Note 45



# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		65 654 695	44 478 636
Grants		151 080 309	171 177 866
Interest income		1 573 089	1 498 102
Other receipts		5 778 027	4 905 534
		224 086 120	222 060 138
<b>Payments</b>			
Employee costs		(76 945 390)	(68 641 595)
Suppliers		(72 746 141)	(55 588 539)
Finance costs		(776 480)	(483 746)
		(150 468 011)	(124 713 880)
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>73 618 109</b>	<b>97 346 258</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(82 458 730)	(95 316 065)
Purchase of other intangible assets	5	(2 246 550)	(3 369 461)
<b>Net cash flows from Investing activities</b>		<b>(84 705 280)</b>	<b>(98 685 526)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(900 719)	(980 450)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11 987 890)</b>	<b>(2 319 718)</b>
Cash and cash equivalents at the beginning of the year		12 614 053	14 933 771
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>	<b>626 163</b>	<b>12 614 053</b>

\* See Note 45

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	45 196 364	13 001 039	58 197 403	28 358 803	(29 838 600)	A1
Rental of facilities and equipment	68 117	-	68 117	52 894	(15 223)	A2
Interest received - Service charges	9 126 239	1 542 202	10 668 441	3 163 133	(7 505 308)	A3
Agency services	2 858 557	-	2 858 557	3 553 968	695 411	
Licences and permits	1 945 762	(252 899)	1 692 863	1 467 906	(224 957)	
Other income	558 726	2 530	561 256	689 954	128 698	A4
Interest received - investment	1 842 695	(543 552)	1 299 143	1 573 089	273 946	A5
Gains on disposal of assets	-	300 000	300 000	-	(300 000)	
<b>Total revenue from exchange transactions</b>	<b>61 596 460</b>	<b>14 049 320</b>	<b>75 645 780</b>	<b>38 859 747</b>	<b>(36 786 033)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	48 950 035	(7 543 302)	41 406 733	36 623 757	(4 782 976)	A6
Licences and Permits (Non-exchange)	-	-	-	13 305	13 305	A7
<b>Transfer revenue</b>						
Government grants & subsidies	157 233 301	332 269	157 565 570	153 130 128	(4 435 442)	A8
Public contributions and donations	-	1 225 000	1 225 000	1 295 882	70 882	A9
Fines, Penalties and Forfeits	3 169 183	(7 370)	3 161 813	6 688 633	3 526 820	A10
<b>Total revenue from non-exchange transactions</b>	<b>209 352 519</b>	<b>(5 993 403)</b>	<b>203 359 116</b>	<b>197 751 705</b>	<b>(5 607 411)</b>	
<b>Total revenue</b>	<b>270 948 979</b>	<b>8 055 917</b>	<b>279 004 896</b>	<b>236 611 452</b>	<b>(42 393 444)</b>	
<b>Expenditure</b>						
Personnel	(72 661 394)	1 207 770	(71 453 624)	(69 919 809)	1 533 815	A11
Remuneration of councillors	(7 173 406)	118 910	(7 054 496)	(7 025 581)	28 915	
Depreciation and amortisation	(37 802 895)	-	(37 802 895)	(32 893 047)	4 909 848	
Finance costs	(3 384 948)	(12 879 614)	(16 264 562)	(2 455 062)	13 809 500	A12
Lease rentals on operating lease	-	-	-	(1 014 786)	(1 014 786)	A13
Debt Impairment	(25 097 928)	(54 662 727)	(79 760 655)	(18 049 963)	61 710 692	A14
Bulk purchases	(26 255 900)	3 293 778	(22 962 122)	(21 787 093)	1 175 029	A15
Contracted Services	(29 896 603)	329 196	(29 567 407)	(23 076 305)	6 491 102	A16
Sale of goods/Inventory	(4 826 534)	(22 684)	(4 849 218)	-	4 849 218	
Loss on disposal of assets	-	(5 029 094)	(5 029 094)	-	5 029 094	
General Expenses	(31 902 439)	2 932 712	(28 969 727)	(31 687 642)	(2 717 915)	A17
<b>Total expenditure</b>	<b>(239 002 047)</b>	<b>(64 711 753)</b>	<b>(303 713 800)</b>	<b>(207 909 288)</b>	<b>95 804 512</b>	
<b>Surplus before taxation</b>	<b>31 946 932</b>	<b>(56 655 836)</b>	<b>(24 708 904)</b>	<b>28 702 164</b>	<b>53 411 068</b>	

## Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>31 946 932</b>	<b>(56 655 836)</b>	<b>(24 708 904)</b>	<b>28 702 164</b>	<b>53 411 068</b>	

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	270 100	-	270 100	311 718	41 618	B1
Receivables from non-exchange transactions	-	19 253 627	19 253 627	22 921 128	3 667 501	
Consumer debtors	61 834 699	(36 741 272)	25 093 427	26 559 651	1 466 224	
Cash and cash equivalents	21 273 067	(17 134 594)	4 138 473	626 163	(3 512 310)	B3
	83 377 866	(34 622 239)	48 755 627	50 418 660	1 663 033	

##### Non-Current Assets

Investment property	29 250 200	-	29 250 200	20 715 500	(8 534 700)	
Property, plant and equipment	633 992 683	42 167 331	676 160 014	684 000 015	7 840 001	B3.1
Intangible assets	1 838 035	5 903 512	7 741 547	5 169 571	(2 571 976)	B4
Heritage assets	322 483	-	322 483	322 483	-	
	665 403 401	48 070 843	713 474 244	710 207 569	(3 266 675)	
<b>Total Assets</b>	<b>748 781 267</b>	<b>13 448 604</b>	<b>762 229 871</b>	<b>760 626 229</b>	<b>(1 603 642)</b>	

#### Liabilities

##### Current Liabilities

Finance lease obligation	4 596 000	(3 000 000)	1 596 000	1 054 545	(541 455)	B6
Payables from exchange transactions	25 618 000	44 207 037	69 825 037	62 164 992	(7 660 045)	B7
VAT payable	-	-	-	637 189	637 189	B5
Consumer deposits	56 392	-	56 392	63 246	6 854	
Employee benefit obligation	-	-	-	532 605	532 605	B8
Unspent conditional grants and receipts	-	-	-	368 069	368 069	B9
	30 270 392	41 207 037	71 477 429	64 820 646	(6 656 783)	

##### Non-Current Liabilities

Finance lease obligation	-	857 450	857 450	408 479	(448 971)	B10
Employee benefit obligation	-	-	-	4 778 343	4 778 343	
Provisions	18 347 178	20 007 352	38 354 530	26 691 777	(11 662 753)	B11
	18 347 178	20 864 802	39 211 980	31 878 599	(7 333 381)	
<b>Total Liabilities</b>	<b>48 617 570</b>	<b>62 071 839</b>	<b>110 689 409</b>	<b>96 699 245</b>	<b>(13 990 164)</b>	
<b>Net Assets</b>	<b>700 163 697</b>	<b>(48 623 235)</b>	<b>651 540 462</b>	<b>663 926 984</b>	<b>12 386 522</b>	

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	700 163 697	(48 623 235)	651 540 462	663 926 984	12 386 522	
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# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.o. s31 of the MFMA)	Virement (i.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>											
Property rates	48 950 035	(7 543 302)	41 406 733	-	-	41 406 733	36 623 757		(4 782 976)	88 %	75 %
Service charges	45 196 364	13 031 039	58 197 403	-	-	58 197 403	28 358 803		(29 838 600)	49 %	63 %
Investment revenue	1 842 695	(543 552)	1 299 143	-	-	1 299 143	1 573 089		273 946	121 %	85 %
Transfers recognised - operational	94 751 301	(16 757 101)	77 994 200	-	-	77 994 200	78 345 226		351 026	100 %	83 %
Other own revenue	17 726 589	1 584 461	19 311 050	-	-	19 311 050	15 629 793		(3 681 257)	81 %	88 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>208 466 984</b>	<b>(10 258 455)</b>	<b>198 208 529</b>	-	-	<b>198 208 529</b>	<b>160 530 668</b>		<b>(37 677 861)</b>	<b>81 %</b>	<b>77 %</b>
Employee costs	(72 661 394)	1 237 770	(71 423 624)	-	-	(71 423 624)	(69 919 809)		1 503 815	98 %	96 %
Remuneration of councillors	(7 173 406)	118 910	(7 054 496)	-	-	(7 054 496)	(7 025 581)		28 915	100 %	98 %
Debt impairment	(25 097 928)	(54 662 727)	(79 760 655)			(79 760 655)	(18 049 963)		61 710 692	23 %	72 %
Depreciation and asset impairment	(37 802 895)	-	(37 802 895)			(37 802 895)	(32 893 047)		4 909 848	87 %	87 %
Finance charges	(3 384 948)	(12 879 614)	(16 264 562)	-	-	(16 264 562)	(2 455 062)		13 809 500	15 %	73 %
Materials and bulk purchases	(31 082 434)	3 271 094	(27 811 340)	-	-	(27 811 340)	(21 787 093)		6 024 247	78 %	70 %
Other expenditure	(61 799 042)	(1 767 186)	(63 566 228)	-	-	(63 566 228)	(55 778 733)		7 787 495	88 %	90 %
<b>Total expenditure</b>	<b>(239 002 047)</b>	<b>(64 711 753)</b>	<b>(303 713 800)</b>	-	-	<b>(303 713 800)</b>	<b>(207 909 288)</b>		<b>95 804 512</b>	<b>68 %</b>	<b>87 %</b>
<b>Surplus/(Deficit)</b>	<b>(30 535 063)</b>	<b>(74 970 208)</b>	<b>(105 505 271)</b>	-	-	<b>(105 505 271)</b>	<b>(47 378 620)</b>		<b>58 126 651</b>	<b>45 %</b>	<b>155 %</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	62 482 000	17 089 371	79 571 371	-	-	79 571 371	74 784 902	-	(4 786 469)	94 %	120 %
Contributions recognised - capital and contributed assets	-	1 225 000	1 225 000	-	-	1 225 000	1 295 882	-	70 882	106 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>31 946 937</b>	<b>(56 655 837)</b>	<b>(24 708 900)</b>	-	-	<b>(24 708 900)</b>	<b>28 702 164</b>	-	<b>53 411 064</b>	<b>(116)%</b>	<b>90 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>31 946 937</b>	<b>(56 655 837)</b>	<b>(24 708 900)</b>	-	-	<b>(24 708 900)</b>	<b>28 702 164</b>	-	<b>53 411 064</b>	<b>(116)%</b>	<b>90 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	107 087 267	(2 528 273)	104 558 994	-	-	104 558 994	-	-	(104 558 994)	- %	- %
<b>Sources of capital funds</b>											
Transfers recognised - capital	77 954 900	-	77 954 900	-	-	77 954 900	-	-	(77 954 900)	- %	- %
Public contributions and donations	-	1 265 000	1 265 000	-	-	1 265 000	-	-	(1 265 000)	- %	DIV/0 %
Borrowing	14 297 367	(14 297 367)	-	-	-	-	-	-	-	DIV/0 %	- %
Internally generated funds	14 835 000	10 504 094	25 339 094	-	-	25 339 094	-	-	(25 339 094)	- %	- %
<b>Total sources of capital funds</b>	<b>107 087 267</b>	<b>(2 528 273)</b>	<b>104 558 994</b>	-	-	<b>104 558 994</b>	-	-	<b>(104 558 994)</b>	<b>- %</b>	<b>- %</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	111 562 745	(17 584 895)	93 977 850	-	-	93 977 850	73 618 109		(20 359 741)	78 %	66 %
Net cash from (used) investing	(107 087 267)	3 803 273	(103 283 994)	-	-	(103 283 994)	(84 705 280)		18 578 714	82 %	79 %
Net cash from (used) financing	(4 596 000)	3 445 970	(1 150 030)	-	-	(1 150 030)	(900 719)		249 311	78 %	20 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(120 522)</b>	<b>(10 335 652)</b>	<b>(10 456 174)</b>	-	-	<b>(10 456 174)</b>	<b>(11 987 890)</b>		<b>(1 531 716)</b>	<b>115 %</b>	<b>9 947 %</b>
Cash and cash equivalents at the beginning of the year	2 010 000	12 584 646	14 594 646	-	-	14 594 646	12 614 053		(1 980 593)	86 %	628 %
<b>Cash and cash equivalents at year end</b>	<b>1 889 478</b>	<b>2 248 994</b>	<b>4 138 472</b>	-	-	<b>4 138 472</b>	<b>626 163</b>		<b>3 512 309</b>	<b>15 %</b>	<b>33 %</b>

# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1. Presentation of Adjusted Annual Financial Statements**

The adjusted annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These adjusted annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these adjusted annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These adjusted annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern**

These adjusted annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current

#### **1.4 Critical judgements, estimates and assumptions**

In preparing the adjusted annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the adjusted annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual adjusted annual financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are set out below: Significant judgements include:

##### **Allowance for slow moving, damaged and obsolete stock**

Management determine the selling prices and direct cost to sell on certain inventory items. In determining the fair value inventories are written down to the lower of cost or net realisable value. The write down/ inventory gain is included in the surplus/deficit.

##### **Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

##### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are tested on an annual basis for impairment. If there are indications that impairment may have occurred, estimates are prepared of the carrying value of assets.



# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Critical judgements, estimates and assumptions (continued)

#### Provisions

Provisions are raised and management determines an estimate based on the information available.

Provisions are measured at the best estimate and are discounted to present value where the effect is material.

#### Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

- The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.
- It is assumed that clean sand and clay is available locally (nearby/alongside/within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.
- It is assumed that the general public have not requested a specific final shape or end use for the landfill sites.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

#### Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.5 Investment property

Investment property is property (land) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Investment property (continued)

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property. The municipality classifies its land as investment property with an indefinite useful life.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

#### Initial Measurement

Property, plant and equipment is initially measured at cost

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also included the cost of dismantling and removing the asset and restoring the site in which it is located.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

#### Work-in progress

Work-in progress is stated at historical cost. Depreciation only commences when the asset is ready for use.

#### Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

#### Depreciation

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10- 60 years
Leasehold property	Straight line	3 years
Plant and machinery	Straight line	3 - 5 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	7 - 10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	4 - 5 years
Infrastructure	Straight line	3 - 80 years
Community	Straight line	25 -30 years
Other property, plant and equipment	Straight line	3 - 5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Such an asset is identifiable when it is separable, or when it arises from contractual or other legal rights.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation method and period for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer software, other	Straight line	3- 5 years

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Intangible assets are derecognised:

- on disposal; or
  - when no future economic benefits or service potential are expected from its use or disposal.
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# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.7 Intangible assets (continued)**

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

### **1.8 Heritage assets**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the adjusted annual financial statements.

#### **Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### **Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### **Subsequent measurement**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **Impairment**

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### **Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.9 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial Instruments (continued)

#### Classification

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial instruments are measured at amortised cost, and are subject to an impairment review.

#### **Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

#### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### **Impairment and uncollectibility of financial assets**

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.



# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.10 Leases (continued)**

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.11 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **Property held as part of the Rural Development Housing Program (RDP)**

Residential property under the municipality's RDP housing program are held to be distributed through non-exchange transactions. These are held for provision of services to the community and/or to be given to certain groups of people from the general public at no cost

Future economic benefits will flow to the municipality in the form of rates and taxes that will be charged to the parties involved and the cost can be reliably determined to be Nil as the properties were vested to the municipality at no cost. The residential property will be measured initially at cost which is Nil.

The municipality's intension is for distribution of low cost houses to the disadvantaged and underprovided individuals at no cost; hence will be held initially and subsequently in the municipality's accounting records at Nil.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipal) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the adjusted annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.



# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.16 Revenue from non-exchange transactions (continued)**

#### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Property Rates**

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

#### **Debt forgiveness and assumption of liabilities**

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.16 Revenue from non-exchange transactions (continued)**

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### **Concessionary loans received**

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### **1.17 Collection charges and penalties**

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and to the extent that there has been compliance with the relevant legal requirements (if applicable).

### **1.18 Vat Added Tax**

The municipality accounts for Value Added Tax on the cash (receipt) basis.

### **1.19 Cash and cash equivalents**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

### **1.20 Finance costs**

Finance costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Finance costs are recognised as an expense in the period in which they are incurred.

### **1.21 Unauthorised expenditure**

Unauthorised expenditure means:

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.21 Unauthorised expenditure (continued)

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.24 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

### 1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

# **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

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### **1.25 Budget information (continued)**

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The adjusted annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.26 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rands

2019

2018  
Restated\*

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

##### **GRAP 18 (as amended 2016): Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality expects to adopt the standard for the first time in the 2019/2020 adjusted annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's adjusted annual financial statements.

##### **GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's adjusted annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality expects to adopt the standard for the first time in the 2019/2020 adjusted annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the adjusted annual financial statements.

##### **GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

The municipality expects to adopt the standard for the first time in the 2019/2020 adjusted annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, unless the municipality enters into any Service Concession Arrangement, whereby assets of the municipality are used to generate revenue by a 3rd party.

##### **GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

## **Sundays River Valley Municipality**

Adjusted Annual Financial Statements for the year ended 30 June 2019

### **Notes to the Adjusted Annual Financial Statements**

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#### **2. New standards and interpretations (continued)**

It is unlikely that the standard will have a material impact on the municipality's adjusted annual financial statements as most principles of the standard are applied or information is available.

#### **GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The expected impact of the standard is not material as most of the principles in the standard would not be applicable to the municipality unless the municipality enters into a principal-agent agreement.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand 2019 2018

### 3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 715 500	-	20 715 500	20 715 500	-	20 715 500

#### Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	20 715 500	20 715 500

#### Reconciliation of investment property - 2018

	Restated Opening balance	Total
Investment property	20 715 500	20 715 500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	39 024 913	-	39 024 913	39 024 913	-	39 024 913
Buildings	49 615 549	(31 351 674)	18 263 875	49 548 849	(30 400 983)	19 147 866
Plant and machinery	1 086 282	(553 942)	532 340	592 630	(390 369)	202 261
Furniture and fixtures	6 761 858	(5 092 315)	1 669 543	6 360 744	(4 580 908)	1 799 836
Motor vehicles	9 287 805	(2 328 628)	6 959 177	7 420 252	(1 706 509)	5 713 743
IT equipment	4 842 153	(3 079 827)	1 762 326	3 673 426	(2 184 253)	1 489 173
Infrastructure	828 702 951	(439 609 425)	389 093 526	801 488 565	(415 078 586)	386 409 979
Community	61 596 425	(25 881 742)	35 714 683	60 674 649	(22 954 377)	37 720 272
Work-in-Progress	189 683 612	-	189 683 612	126 683 788	-	126 683 788
Leased office equipment	2 758 247	(1 462 227)	1 296 020	2 758 247	(498 114)	2 260 133
<b>Total</b>	<b>1 193 359 795</b>	<b>(509 359 780)</b>	<b>684 000 015</b>	<b>1 098 246 063</b>	<b>(477 794 099)</b>	<b>620 451 964</b>



# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Increase due to re-measurement	Depreciation	Impairment loss	Total
Land	39 024 913	-	-	-	-	-	-	39 024 913
Buildings	19 147 866	66 695	-	-	-	(924 390)	(26 296)	18 263 875
Plant and machinery	202 261	495 151	(337)	-	-	(140 585)	(24 150)	532 340
Furniture and office equipment	1 799 836	381 114	-	-	-	(452 865)	(58 542)	1 669 543
Motor vehicles	5 713 743	1 867 553	-	-	-	(380 063)	(242 056)	6 959 177
IT equipment	1 489 173	1 168 725	-	-	-	(716 992)	(178 580)	1 762 326
Infrastructure	386 409 979	-	-	15 853 775	11 360 611	(20 734 868)	(3 795 971)	389 093 526
Community	37 720 272	114 928	-	806 848	-	(1 469 278)	(1 458 087)	35 714 683
Work-in-Progress	126 683 788	79 660 446	-	(16 660 622)	-	-	-	189 683 612
Leased office equipment	2 260 133	-	-	-	-	(964 113)	-	1 296 020
	<b>620 451 964</b>	<b>83 754 612</b>	<b>(337)</b>	<b>1</b>	<b>11 360 611</b>	<b>(25 783 154)</b>	<b>(5 783 682)</b>	<b>684 000 015</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	39 024 913	-	-	-	-	-	39 024 913
Buildings	19 886 238	33 100	-	-	(771 472)	-	19 147 866
Plant and machinery	252 683	24 156	(50 553)	-	(20 434)	(3 591)	202 261
Furniture and office equipment	2 002 671	381 351	(136 051)	-	(435 623)	(12 512)	1 799 836
Motor vehicles	6 128 105	-	-	-	(318 220)	(96 142)	5 713 743
IT equipment	1 785 424	272 789	(96 602)	-	(468 364)	(4 074)	1 489 173
Infrastructure	387 300 746	-	-	18 465 446	(19 471 087)	114 874	386 409 979
Community	37 884 510	-	-	728 163	(892 401)	-	37 720 272
Work-in-Progress	51 272 728	94 604 669	-	(19 193 609)	-	-	126 683 788
Leased office equipment	819 958	2 267 083	(5 385 041)	-	4 558 133	-	2 260 133
	<b>546 357 976</b>	<b>97 583 148</b>	<b>(5 668 247)</b>	<b>-</b>	<b>(17 819 468)</b>	<b>(1 445)</b>	<b>620 451 964</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand 2019 2018

### 4. Property, plant and equipment (continued)

#### Pledged as security

The municipality did not pledge any of its assets. No restrictions apply to any of the property, plant and equipment of the municipality. At 30 June 2019 assets to the value of R5 783 682 ( 2018: R 1 445) were considered to be impaired:

#### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	126 357 626	326 180	126 683 806
Additions/capital expenditure	74 244 922	5 415 524	79 660 446
Transferred to completed items	(15 853 775)	(806 848)	(16 660 623)
	<b>184 748 773</b>	<b>4 934 856</b>	<b>189 683 629</b>

#### Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance previously reported	51 162 527	110 219	460 000	51 732 746
Prior year correction	(7 328 427)	(728 163)	-	(8 056 590)
Additions/capital expenditure	93 660 545	944 124	-	94 604 670
Transferred to completed items	(11 137 019)	-	(460 000)	(11 597 019)
	<b>126 357 626</b>	<b>326 180</b>	<b>-</b>	<b>126 683 807</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

### 5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8 940 072	(3 770 501)	5 169 571	6 693 523	(2 444 635)	4 248 888

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	4 248 888	2 246 550	(1 325 867)	5 169 571

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	1 288 034	3 369 461	460 000	(868 607)	4 248 888
Intangible assets under development	460 000	-	(460 000)	-	-
	<b>1 748 034</b>	<b>3 369 461</b>	<b>-</b>	<b>(868 607)</b>	<b>4 248 888</b>

### 6. Heritage assets

	2019	2018
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# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand

2019 2018

### 6. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	70 975	-	70 975	70 975	-	70 975
Historical buildings	251 508	-	251 508	251 508	-	251 508
<b>Total</b>	<b>322 483</b>	<b>-</b>	<b>322 483</b>	<b>322 483</b>	<b>-</b>	<b>322 483</b>

### Reconciliation of heritage assets 2019

	Opening balance	Total
Collections of rare books, manuscripts and records	70 975	70 975
Historical buildings	251 508	251 508
	<b>322 483</b>	<b>322 483</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>6. Heritage assets (continued)</b>		
<b>Reconciliation of heritage assets 2018</b>		
	Opening balance	Total
Collections of rare books, manuscripts and records	70 975	70 975
Historical buildings	251 508	251 508
	<b>322 483</b>	<b>322 483</b>

## 7. Employee benefit obligations

### Defined benefit plan

The defined benefit plan consists of the post retirement medical aid benefit plan and long service bonuses.

### Post retirement medical aid plan

The municipality operates five accredited medical aid schemes, namely:

Bonitas  
Key health  
Hosmed  
LA Health  
Samwu

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit for these qualifying employees. No other post-retirement benefits are provided to these employees.

At 30 June 2019, a total of 4 (2018:5) employees were eligible for post retirement medical aid plan.

The independent valuers, Arch Actuarial ("Arch") have been engaged to carry out a GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2019 arising out of the post retirement medical aid plan awarded to qualifying employees.

### Long service award

A Long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

The long service bonus plans are defined benefit plans. As at 30 June 2019, a total of 222 (2017: 221) employees were eligible for Long-service awards.

The independent valuers, Arch Actuarial ("Arch"), have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2019 arising out of the long-service leave awarded to qualifying in-service employees.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
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### 7. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(5 062 054)	(3 942 789)
Current service cost	(378 293)	(369 745)
Interest cost	(403 519)	(304 816)
Actuarial Gains/Losses	(246 708)	(1 051 461)
Expected benefit vesting	779 626	606 757
	<b>(5 310 948)</b>	<b>(5 062 054)</b>
<b>Non-current liabilities</b>	<b>(4 778 343)</b>	<b>(4 282 428)</b>
<b>Current liabilities</b>	<b>(532 605)</b>	<b>(779 626)</b>
	<b>(5 310 948)</b>	<b>(5 062 054)</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	5 062 054	3 942 789
Net expense recognised in the statement of financial performance	248 894	1 119 265
	<b>5 310 948</b>	<b>5 062 054</b>

Net expense recognised in the statement of financial performance

Current service cost	378 293	369 745
Interest cost	403 519	304 816
Actuarial losses	246 708	1 051 461
Benefits Paid	(779 626)	(606 757)
	<b>248 894</b>	<b>1 119 265</b>

### Assumptions used at reporting date

Key assumptions for post retirement medical aid plan:

Discount rate used	8,52 %	8,85 %
Expected rate of return on reimbursement rights	2,19 %	1,82 %
Medical cost trend rate	6,19 %	6,90 %

Key assumptions for long service award

Discount rate used	8 %	8 %
General earning inflation rate	6 %	6 %
Net effective discount rate	2 %	2 %
Average retirement age (years)	62	63

### 8. Inventories

Consumable stores	287 688	156 451
Water for distribution	24 030	12 679
	<b>311 718</b>	<b>169 130</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>9. Receivables from exchange transactions</b>		
Accrued Revenue	1 142 670	597 747
Consumer debtors - Electricity	9 286 145	8 375 129
Consumer debtors - Water	4 051 504	6 130 776
Consumer debtors - Waste water	1 839 696	2 285 939
Consumer debtors - Refuse	2 216 460	3 917 126
Consumer debtors - Property Rentals	84 327	151 754
Consumer debtors - Interest charges	7 938 849	6 224 956
	<b>26 559 651</b>	<b>27 683 427</b>

### Trade and other receivables pledged as security

None of the receivables from exchange transactions have been pledged as security for the municipality's financial liabilities.

### Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

### Fair value of trade and other receivables

The management of the municipality is of the opinion that the carrying value of receivables from exchange transaction approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Debtors as well as the current payment ratio's of the municipality's Receivables.

In determining the recoverability of a receivable from exchange transaction, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the provision for impairment.

### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 4 379 126 (2018: R12 589 461 ) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	902 851	2 524 289
2 months past due	1 722 624	1 950 331
3 months past due	1 753 652	1 861 357

### 10. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	503 652	321 472
Consumer debtors - Rates	22 417 471	28 296 389
Other debtors - Fines	5	5
	<b>22 921 128</b>	<b>28 617 866</b>

### Receivables from non-exchange transactions pledged as security

The municipality does not hold deposits or other security for its receivables from non-exchange transactions and none of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>10. Receivables from non-exchange transactions (continued)</b>		
<b>Credit quality of receivables from non-exchange transactions</b>		
The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>11. Consumer debtors</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	35 673 577	48 445 864
Consumer debtors - Electricity	11 603 926	11 606 935
Consumer debtors - Water	23 001 507	46 516 989
Consumer debtors - Waste water	5 984 740	10 825 278
Consumer debtors - Refuse	11 135 489	20 927 177
Consumer debtors - Property Rentals	84 327	151 754
Consumer debtors - Interest Charges	12 684 601	9 534 759
Other debtors - Fines	16 073 393	10 225 267
	<b>116 241 560</b>	<b>158 234 023</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(13 256 106)	(20 149 475)
Consumer debtors - Electricity	(2 317 781)	(3 231 806)
Consumer debtors - Water	(18 950 003)	(40 386 213)
Consumer debtors - Waste water	(4 145 044)	(8 539 339)
Consumer debtors - Refuse	(8 919 029)	(17 010 051)
Consumer debtors - Interest Charges	(4 745 752)	(3 309 803)
Other debtors - Fines	(16 073 388)	(10 225 262)
	<b>(68 407 103)</b>	<b>(102 851 949)</b>
<b>Net balance</b>		
Consumer debtors - Rates	22 417 471	28 296 389
Consumer debtors - Electricity	9 286 145	8 375 129
Consumer debtors - Water	4 051 504	6 130 776
Consumer debtors - Waste water	1 839 696	2 285 939
Consumer debtors - Refuse	2 216 460	3 917 126
Consumer debtors - Property Rentals	84 327	151 754
Consumer debtors - Interest Charges	7 938 849	6 224 956
Other debtors - Fines	5	5
	<b>47 834 457</b>	<b>55 382 074</b>
<b>Rates</b>		
Current (0 -30 days)	1 577 338	2 153 968
31 - 60 days	1 073 015	1 465 279
61 - 90 days	819 104	1 118 546
91 - 120 days	348 053	475 291
121 - 365 days	18 599 961	23 083 305
	<b>22 417 471</b>	<b>28 296 389</b>
<b>Electricity</b>		
Current (0 -30 days)	2 511 258	1 861 991
31 - 60 days	898 883	666 483
61 - 90 days	845 105	626 610
91 - 120 days	434 529	322 185
121 - 365 days	4 596 370	-
> 365 days	-	4 897 860
	<b>9 286 145</b>	<b>8 375 129</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>11. Consumer debtors (continued)</b>		
<b>Water</b>		
Current (0 -30 days)	896 846	942 730
31 - 60 days	619 284	650 967
61 - 90 days	695 079	730 640
91 - 120 days	115 693	121 612
121 - 365 days	1 724 602	3 684 827
	<b>4 051 504</b>	<b>6 130 776</b>
<b>Waste water</b>		
Current (0 -30 days)	255 730	146 077
31 - 60 days	246 205	140 636
61 - 90 days	238 113	136 013
91 - 120 days	26 106	14 912
121 - 365 days	1 073 542	1 848 301
	<b>1 839 696</b>	<b>2 285 939</b>
<b>Refuse</b>		
Current (0 -30 days)	257 312	261 062
31 - 60 days	248 321	251 940
61 - 90 days	242 200	245 730
91 - 120 days	30 283	30 724
121 - 365 days	1 438 344	3 127 670
	<b>2 216 460</b>	<b>3 917 126</b>
<b>Property rentals</b>		
Current (0 -30 days)	9 790	17 617
31 - 60 days	9 448	17 002
61 - 90 days	9 215	16 583
91 - 120 days	55 874	100 552
	<b>84 327</b>	<b>151 754</b>
<b>Interest charge</b>		
Current (0 -30 days)	921 631	722 663
31 - 60 days	889 428	697 412
61 - 90 days	867 504	680 221
91 - 120 days	108 466	85 050
121 - 365 days	5 151 820	4 039 610
	<b>7 938 849</b>	<b>6 224 956</b>
<b>Fines</b>		
> 365 days	5	5

## 12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5	700
Bank balances	256 822	536 880
Short-term deposits (call accounts)	369 336	12 076 473
	<b>626 163</b>	<b>12 614 053</b>



# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
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### 12. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB BANK - Primary Account - 62025490856	204 010	313 809	952 736	203 866	262 127	967 973
FNB BANK - MVR Account - 62698754134	21 614	236 338	83 308	21 614	245 578	83 308
FNB BANK - Traffic Fines Account - 62698750009	31 342	29 174	-	31 342	29 174	-
Cash on hand	-	-	-	5	700	-
FNB BANK - IDP Account - 62051951088	-	-	1 000	-	-	1 000
FNB BANK - Roads and Public Works Account - 62071406542	-	1 000	413 164	-	1 000	413 163
FNB BANK - MSIG Account - 62072234041	-	1 000	6 488	-	1 000	6 488
FNB BANK - MIG Account - 62081228621	1 000	1 000	3 279 326	1 000	1 000	3 279 326
FNB BANK - Addo Call Account - 62134438284	-	1 803	1 790	-	1 803	1 790
FNB BANK - FMG Account - 62149457708	2 000	3 858	1 000	2 000	3 858	1 000
FNB BANK - Intergrated Zoning Scheme - 62161489086	3 000	1 000	8 723	3 000	1 000	8 723
FNB BANK - Town Planning Account - 62178942580	84 434	1 000	54 029	84 434	1 000	54 029
FNB BANK - Library Account - 62314004839	-	1 000	1 000	-	1 000	1 000
FNB BANK - INEP Account - 62027590589	1 000	1 000	1 000	1 000	1 000	1 000
FNB BANK - Salary Account - 62084969694	1 058	1 913	913	1 058	1 913	913
FNB BANK - EPWP Incentive Account - 62387475009	1 000	1 000	6 688	1 000	1 000	6 688
FNB BANK - TOA Account - 74539338646	274 843	12 058 900	10 105 365	274 843	12 058 900	10 105 365
FNB BANK - Establishment of Enon Account - 62408271211	-	1 000	1 000	-	1 000	1 000
FNB BANK - Disaster Recovery Account - 62394071204	1 001	1 000	1 000	1 001	1 000	1 000
<b>Total</b>	<b>626 302</b>	<b>12 655 795</b>	<b>14 918 530</b>	<b>626 163</b>	<b>12 614 053</b>	<b>14 933 766</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 054 545	1 149 931
- in second to fifth year inclusive	1 105 341	1 578 659
	2 159 886	2 728 590
less: future finance charges	(283 574)	(364 847)
<b>Present value of minimum lease payments</b>	<b>1 876 312</b>	<b>2 363 743</b>
<b>Present value of minimum lease payments due</b>		
- within one year	908 015	1 149 931
- in second to fifth year inclusive	968 297	1 213 812
	1 876 312	2 363 743
<b>Non-current liabilities</b>	<b>408 479</b>	<b>1 213 811</b>
<b>Current liabilities</b>	<b>1 054 545</b>	<b>1 149 932</b>
	<b>1 463 024</b>	<b>2 363 743</b>

The finance lease obligation relates to office equipment acquired through leases. The average lease term is 3 years. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	-	269
Small Town Revitalisation Grant	-	54 030
Roads Infrastructure Grant	187 524	270 846
Financial Management Grant	1 442	1 222
Municipal Systems Improvement Grant	-	1 521
Disaster Relief Grant	-	2 090 000
Water Service Infrastructure Grant	55 548	-
Human Settlement Grant	123 555	-
	<b>368 069</b>	<b>2 417 888</b>

### Movement during the year

Balance at the beginning of the year	2 417 888	3 757 216
Additions during the year	78 241 384	102 759 205
Income recognition during the year	(80 291 203)	(104 098 533)
	<b>368 069</b>	<b>2 417 888</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
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### 15. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Increase due to re- measurement	Total
Environmental rehabilitation	13 936 157	1 395 009	11 360 611	26 691 777

#### Reconciliation of provisions - 2018

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	12 668 082	1 268 075	13 936 157

The municipality has an obligation to rehabilitate its land-fill sites in terms of its licence stipulations. The net present value of the rehabilitation cost of land-fill sites has been determined as at 30 June 2019 by a technical specialist, using the the average cost of borrowing interest rate. The provision is the best estimate of the net present value of future rehabilitation costs of the land-fill sites to restore the sites at the end of their useful lives.

#### Rehabilitation Cost

Kirkwood Lanfill Site	9 657 749
Paterson Landfill Site	2 993 299
Sunland Landfill Site	14 040 728

### 16. Payables from exchange transactions

Trade payables	37 759 016	32 894 287
Payments received in advance	1 934 581	2 841 856
Other payables	136 061	144 565
Accrued 13th cheque	1 636 664	1 466 919
Accrued leave pay	5 244 658	4 451 823
Motor Registration	-	715 948
Retention	7 446 651	4 037 297
Unknown Deposit	3 012 894	2 963 798
Payroll Creditors	4 994 467	3 356 009
	<b>62 164 992</b>	<b>52 872 502</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

Accrued bonus relates to the thirteenth cheque payable annually by the municipality. The accrual is an estimate of the amount due at the reporting date.

### 17. VAT payable

VAT payable	637 189	2 883 835
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No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date. Municipality is claiming VAT when the money is paid to suppliers and the money is received from customers. This provision relates to income and expenditure that was invoiced and has not been paid to suppliers or received from customers.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
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### 18. Consumer deposits

Consumer deposits	63 246	62 311
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of consumer deposits approximate their fair values. The fair value of consumer deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

### 19. Revenue

Service charges	28 358 803	32 855 503
Rental of facilities and equipment	52 894	59 059
Interest received - Service charges	3 163 133	4 175 839
Agency services	3 553 968	2 576 162
Licences and permits	1 467 906	1 662 954
Other income	689 954	600 187
Interest received - investment	1 573 089	1 498 102
Property rates	36 623 757	34 210 263
Licences and Permits (Non-exchange)	13 305	2 888
Government grants & subsidies	153 130 128	172 517 194
Public contributions and donations	1 295 882	52 942
Fines, Penalties and Forfeits	6 688 633	2 767 547
	<b>236 611 452</b>	<b>252 978 640</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	28 358 803	32 855 503
Rental of facilities and equipment	52 894	59 059
Interest received - Service charges	3 163 133	4 175 839
Agency services	3 553 968	2 576 162
Licences and permits	1 467 906	1 662 954
Other income	689 954	600 187
Interest received - investment	1 573 089	1 498 102
	<b>38 859 747</b>	<b>43 427 806</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	36 623 757	34 210 263
Licences or permits	13 305	2 888
<b>Transfer revenue</b>		
Government grants & subsidies	153 130 128	172 517 194
Public contributions and donations	1 295 882	52 942
Fines, Penalties and Forfeits	6 688 633	2 767 547
	<b>197 751 705</b>	<b>209 550 834</b>

### 20. Service charges

Sale of electricity	19 334 349	18 403 682
Sale of water	6 077 782	7 539 801
Sewerage and sanitation charges	1 057 135	2 496 074
Refuse removal	1 889 537	4 415 946
	<b>28 358 803</b>	<b>32 855 503</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>21. Fines, Penalties and Forfeits</b>		
Illegal Connections Fines	21 033	-
Law Enforcement Fines	5 848 126	2 428 909
Court Traffic Fines	819 474	338 638
	<b>6 688 633</b>	<b>2 767 547</b>
<b>22. Agency services</b>		
Vehicle Registration	3 553 968	2 576 162
<b>23. Licences and permits (exchange)</b>		
Licences and permits	1 467 906	1 662 954
<b>24. Licences and permits (non-exchange)</b>		
Trading Certificates	13 305	2 888
<b>25. Lease rentals</b>		
<b>Lease rentals on operating lease</b>		
Contractual amounts	1 014 786	869 669
<b>26. Other income</b>		
Valuation and clearance certificates	9 973	6 519
Tender documents	69 494	63 554
Staff recoveries	30 391	69 830
Photocopies	5 056	5 895
Insurance refunds	5 861	148 631
Discounts and early settlements	15 000	14 574
Valuation Services	493	7 259
Commission received	115 675	93 292
Prepaid meter sales	61 239	17 001
Cemerty and Burial	65 765	49 243
Building Plans Approval	311 007	124 389
	<b>689 954</b>	<b>600 187</b>

## Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

### Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>27. Property rates</b>		
<b>Rates received</b>		
Residential	3 026 438	2 939 833
Commercial	(160 403)	547 364
State	13 074 037	12 132 758
Municipal	(55 833)	46 864
Small holdings and farms	15 084 619	14 174 841
Industrial	5 454 008	4 331 347
Property rates 2	(109)	-
Public Service Infrastructure	201 000	37 256
	<b>36 623 757</b>	<b>34 210 263</b>
<b>Valuations</b>		
Residential	880 606 340	880 606 340
Commercial	293 719 693	293 719 693
State	381 627 240	381 627 240
Churches	59 457 220	59 457 220
Exempt	33 588 362	33 588 362
Small holdings and farms	5 156 657 745	5 156 657 745
Public service infrastructure	35 401 868	35 401 868
Industrial	5 273 800	5 273 800
	<b>6 846 332 268</b>	<b>6 846 332 268</b>

The municipality was due to perform its General Valuation at the expiry of the 5 year cycle in 2018 however, the municipality obtained an extension for the new General Valuation implementation till the 01 July 2020 wherein the General Valuation will be implemented .

Rates are levied on an a monthly basis to property owners accounts and payable at month end. Interest levied at a rate determined by council on outstanding rates amounts.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>28. Government grants and subsidies</b>		
<b>Operating grants</b>	71 971 000	65 367 000
Equitable share	131 846	92 994
LGSETA Subsidy	1 627 600	1 575 387
Environmental Services Subsidy	2 414 780	2 343 778
Financial Management Grant	1 000 000	1 005 688
EPWP Grant	1 200 000	1 200 000
Library Subsidy	-	183 280
SMME Subsidy	-	1 159 488
Audit Improvement Grant		
	<b>78 345 226</b>	<b>72 927 615</b>
<b>Capital grants</b>	16 731 000	18 000 000
Integrated National Electrification Programme	22 662 269	29 278 057
Municipal Infrastructure Grant	31 578 402	46 410 267
Small Town Revitalisation Grant	358 351	5 901 255
Roads Infrastructure Grant	844 452	-
Water Service Infrastructure Grant	2 610 428	-
Human Settlement Grant		
	<b>74 784 902</b>	<b>99 589 579</b>
	<b>153 130 128</b>	<b>172 517 194</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	76 543 107	104 098 533
Unconditional grants received	74 930 446	68 418 661
	<b>151 473 553</b>	<b>172 517 194</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All indigent households receive 6 kl water and 50 kWh electricity (indigents only) free every month. All registered indigents receive a monthly subsidy of R 311 (2018: R 228), which is funded from the grant. The municipality has subsidies indigent households in the 2018/19 financial year. However the review of the indigent data base was not done in the current financial year. As a developmental institution, the municipality needs to commit to supporting measures that assist and empower its community. It is accepted that large sections of the community cannot exist without intervention and it is therefore the duty of the municipality to support and to ensure that citizens are able to access their constitutional right to have level of services.

The municipality adopted an indigent support policy which embodies an indigent support programme not only providing procedures and guidelines for the subsidisation of services charges to indigent households in its area of jurisdiction, but also to increase the quality of life of the beneficiaries by assisting them to exit from indigence.

The municipality had 2704 number of indigent households on its register as at 30 June 2019.

Although indigent households needs to register and update their financial information each year with the municipality by way of sworn affidavits, there is still a risk that are deemed invalid applications can be processed.

Based on CAATs (Computer aided audit tools) procedures performed by the Auditor General, an amount of R8 255 869 is belived to be possible cases where indigent applications could be invalid. The municipality investigated these CAATs report and agreed with Auditor General.

The municipality will investigate this matter further and revise the indigent support policy accordingly to eliminate indigent applications based on false information. This will be done by 30 June 2020.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand

2019

2018

### 28. Government grants and subsidies (continued)

#### MIG Grant

Balance unspent at beginning of year	269	3 278 326
Current-year receipts	22 662 000	26 000 000
Conditions met - transferred to revenue	(22 662 269)	(29 278 057)
	-	269

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

#### Small Town Revitalisation Grant

Balance unspent at beginning of year	54 030	54 029
Current-year receipts	31 524 372	46 410 268
Conditions met - transferred to revenue	(31 578 402)	(46 410 267)
	-	54 030

Conditions still to be met - remain liabilities (see note 14).

The Small Town Revitalisation Grant is allocated to municipalities to facilitate the development of strategies designed to enhance development and ensure improved economic performance, as well as poverty reduction within small towns.

#### Audit Improvement Grant

Balance unspent at beginning of year	-	5 488
Current-year receipts	-	1 154 000
Conditions met - transferred to revenue	-	(1 159 488)
	-	-

The Audit Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal system and improve audit opinions.

#### EPWP Grant

Balance unspent at beginning of year	-	5 688
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 005 688)
	-	-

The Expanded Public Works Programme Grant was allocated to the municipality for empowering and creating job opportunities within the communities. No funds have been withheld.

#### Roads Infrastructure Grant

Balance unspent at beginning of year	270 846	412 164
Current-year receipts	275 029	5 759 937
Conditions met - transferred to revenue	(358 351)	(5 901 255)
	187 524	270 846

Conditions still to be met - remain liabilities (see note 14).

The DPW Roads and Sarah Baart district Municipality grant was allocated to municipalities to facilitate the upgrading and retification of roads and stormwater. The funds are received on an ad hoc basis based on stage of completion.



# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>28. Government grants and subsidies (continued)</b>		
<b>FMG Grant</b>		
Balance unspent at beginning of year	1 222	-
Current-year receipts	2 415 000	2 345 000
Conditions met - transferred to revenue	(2 414 780)	(2 343 778)
	<b>1 442</b>	<b>1 222</b>

Conditions still to be met - remain liabilities (see note 14).

The Financial Management Grant is allocated by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG grant also pays for the cost of the Financial Management Internship Programme.

### Municipal Systems Improvement Grant

Balance unspent at beginning of year	1 521	1 521
Conditions met - transferred to revenue	(1 521)	-
	<b>-</b>	<b>1 521</b>

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

### Disaster Relief Grant

Balance unspent at beginning of year	2 090 000	-
Current-year receipts	-	2 090 000
Funds withheld- included in Equitable Share	(2 090 000)	-
	<b>-</b>	<b>2 090 000</b>

The Disaster Relief Grant is allocated by National Treasury to assist with backlogs in service delivery. The roll-over application with this regard was rejected due to late submission of annual financial statements of 2018/19 financial year. The amount received in advance was set-off against Equitable Share as we had not paid the R2 090 000 back to National Treasury.

### Water Services Infrastructure Grant

Current-year receipts	900 000	-
Conditions met - transferred to revenue	(844 452)	-
	<b>55 548</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 14).

The purpose of the Water Service Infrastructure Grant is to develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries.

### Integrated National Electrification Programme Grant

Current-year receipts	16 731 000	18 000 000
Conditions met - transferred to revenue	(16 731 000)	(18 000 000)
	<b>-</b>	<b>-</b>

The Integrated National Electrification Programme Grant is allocated to assist to municipalities in addressing the electrification backlogs of occupied residential dwellings and installation of bulk infrastructure.

### Human Settlement Grant

## Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

### Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>28. Government grants and subsidies (continued)</b>		
Current-year receipts	2 733 983	-
Conditions met - transferred to revenue	(2 610 428)	-
	<b>123 555</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 14).

This grant was recieved from Provincial Government to be utilised for housing benefits for areas within Sundays River Valley.

#### LGSETA Grant

Current-year receipts	131 846	92 994
Unconditional reciepts - transferred to revenue	(131 846)	(92 994)
	-	-

#### Environmental Services Subsidy

Current-year receipts	1 627 600	1 575 387
Unconditional reciepts - transferred to revenue	(1 627 600)	(1 575 387)
	-	-

#### Library Subsidy

Current-year receipts	1 200 000	1 200 000
Unconditional reciepts - transferred to revenue	(1 200 000)	(1 200 000)
	-	-

#### SMME Subsidy

Current-year receipts	-	183 280
Unconditional reciepts - transferred to revenue	-	(183 280)
	-	-

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

#### 29. Pubiic contributions and donations

Donation received	1 295 882	52 942
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The donation was received in-kind from Sarah Baartmand District Municipality comprising of two refuse trucks and computer equipment from DSRAC amongst others

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>30. Employee related costs</b>		
Basic	42 869 665	37 519 728
Bonus	3 163 334	3 097 429
Medical aid - company contributions	3 019 811	2 718 894
UIF	420 150	382 922
Bargaining Council	29 659	27 256
Leave pay provision charge	1 148 099	128 249
Defined contribution plans	248 894	1 119 265
Overtime payments	2 997 135	2 959 897
Acting allowances and other related service benefits	1 852 977	2 151 518
Car allowance	2 086 203	928 183
Housing benefits and allowances	25 407	-
Pension	6 399 732	5 850 425
Cellular and telephone	212 420	374 393
Stand-by allowance	-	56 393
	<b>64 473 486</b>	<b>57 314 552</b>

### Remuneration of Municipal Manager

Annual Remuneration	747 408	790 139
Car Allowance	165 000	-
Cellphone Allowance	24 000	36 024
Contributions to UIF, Medical and Pension Funds	1 890	1 412
Rural Allowance	44 617	-
Housing Allowance	198 000	-
	<b>1 180 915</b>	<b>827 575</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	838 691	841 590
Car Allowance	132 000	88 000
Cellphone Allowance	24 000	19 669
Contributions to UIF, Medical and Pension Funds	1 881	1 884
Rural Allowance	38 831	-
Leave Payout	178 898	-
	<b>1 214 301</b>	<b>951 143</b>

The contract for Chief Financial Officer expired in March 2019 and was granted a month to month extension thereafter.

### Director Corporate Services

Annual Remuneration	690 564	644 243
Car Allowance	144 000	144 000
Housing Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	1 890	1 884
Leave Pay	-	106 271
Acting Allowance	-	23 980
Cellphone Allowance	24 000	19 669
Rural Allowance	38 184	-
	<b>1 018 638</b>	<b>1 060 047</b>

### Director Community Services

Annual Remuneration	680 564	650 418
Car Allowance	130 000	120 000
Cellphone Allowance	24 000	23 000

## Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

### Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>30. Employee related costs (continued)</b>		
Contributions to UIF, Medical and Pension Funds	1 890	1 867
Housing Allowance	144 000	144 000
Acting Allowance	-	61 431
Rural Allowance	38 184	-
Leave Payout	39 772	-
	<b>1 058 410</b>	<b>1 000 716</b>

#### Director Technical Services

Annual Remuneration	911 701	694 220
Car Allowance	-	52 947
Cellphone Allowance	24 000	14 366
Contributions to UIF, Medical and Pension Funds	1 890	1 884
Leave Payout	-	112 382
Acting Allowance	-	30 354
Rural Allowance	36 468	-
	<b>974 059</b>	<b>906 153</b>

#### 31. Remuneration of councillors

Mayor	926 145	898 809
Executive Committee Members	1 990 849	1 917 720
Speaker	703 001	695 110
Councillors	3 405 586	3 307 159
	<b>7 025 581</b>	<b>6 818 798</b>

#### In-kind benefits

The Mayor has the use of separate Council owned vehicles for official duties.

#### 32. Depreciation and amortisation

Property, plant and equipment	32 893 047	28 082 852
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#### 33. Finance costs

Interest on unwinding assets	1 395 009	1 268 075
Finance leases	283 574	193 140
Interest on overdue accounts	776 479	483 746
	<b>2 455 062</b>	<b>1 944 961</b>

#### 34. Debt impairment

Debt impairment/(reversal)	(34 444 845)	12 839 584
Bad debts written off	52 494 808	602 111
	<b>18 049 963</b>	<b>13 441 695</b>

During the current year, the municipality wrote off indigent debtors amount to R 52 494 808 (2018: R 602 111). This resulted in a net reversal of the impairment provision in the 2018/19 financial year.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>35. Bulk purchases</b>		
Electricity - Eskom	15 390 895	14 577 696
Water	6 396 198	5 622 747
	<b>21 787 093</b>	<b>20 200 443</b>
<b>36. Contracted services</b>		
<b>Outsourced Services</b>		
Environmental Health Services	18 720	18 940
Business and Advisory	13 294 202	11 844 496
Cleaning Services	-	1 806
Illegal Dumping	305 302	14 378
Personnel and Labour	386 804	369 718
Professional Staff	129 041	184 194
Refuse Removal	855 439	1 198 043
Transport Services	29 850	-
Drivers Licence Cards	241 503	279 636
Water Takers	1 636 810	1 447 850
<b>Consultants and Professional Services</b>		
Laboratory Services	164 592	110 461
Legal Cost	580 212	677 556
<b>Contractors</b>		
Catering Services	732 629	264 088
Gardening Services	232 305	16 720
Maintenance of Buildings and Facilities	222 818	447 618
Maintenance of Equipment	75 063	60 140
Maintenance of Unspecified Assets	397 867	-
Maintenance of Motor Vehicles	388 875	270 004
Photographer	2 250	14 000
Maintenance of Water Infrastructure	687 386	175 500
Prepaid Electricity Vendors	500	-
Maintenance of Waste Infrastructure	589 188	1 081 515
Maintenance of Electricity Infrastructure	143 096	651 382
Safeguard and Security	918 976	395 680
Maintenance of Waste Water Infrastructure	1 042 877	1 069 730
	<b>23 076 305</b>	<b>20 593 455</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>37. General expenses</b>		
Advertising	473 840	283 781
Auditors remuneration	4 448 627	4 490 179
Bank charges	390 166	342 350
Commission paid	363 665	321 971
Consumables	1 353 181	1 303 714
Entertainment	27 431	71 446
Hire	561 934	740 554
Insurance	967 186	978 589
Training	669 897	488 750
IT expenses	3 206 003	4 196 555
Motor Vehicle Expenses	108 911	87 898
Fuel and oil	1 207 867	759 126
Travel and Subsistence	2 697 082	2 522 310
Postage, Rail and Telephone	2 429 760	1 640 639
Printing and stationery	320 956	278 135
Protective clothing	790 595	191 817
Ward Committee Expenses	-	100 267
Skills Development Levy	771 315	576 575
Subscriptions and membership fees	48 494	47 686
Transportation cost	270 924	302 978
Electricity and Water Costs	8 034 786	6 691 048
Chemicals	2 545 022	2 130 841
	<b>31 687 642</b>	<b>28 547 209</b>
<b>38. Auditors' remuneration</b>		
Fees	4 448 627	4 490 179
<b>39. Cash generated from operations</b>		
Surplus	28 702 164	65 847 468
<b>Adjustments for:</b>		
Depreciation and amortisation	32 893 047	28 082 852
Loss on disposal	-	4 571 904
Finance costs - Finance leases	283 574	193 140
Debt impairment	18 049 963	13 441 695
Movements in retirement benefit assets and liabilities	248 894	1 119 265
Movements in provisions	12 755 620	1 268 075
Inventory write downs	-	(8 789)
Finance costs - Finance leases	(283 574)	-
Movement due to re-measurement	(11 360 611)	-
Public contributions and donations	(1 295 891)	-
<b>Changes in working capital:</b>		
Inventories	(142 588)	71 924
Receivables from exchange transactions	1 123 776	9 192 095
Consumer debtors	(18 049 963)	(13 441 695)
Other receivables from non-exchange transactions	5 696 738	(21 127 253)
Payables from exchange transactions	9 292 490	11 242 944
VAT payable	(2 246 646)	(1 719 742)
Unspent conditional grants and receipts	(2 049 819)	(1 339 328)
Consumer deposits	935	6 345
	<b>73 618 109</b>	<b>97 400 900</b>
<b>40. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand

2019

2018

### 40. Financial instruments disclosure (continued)

#### 2019

##### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	26 559 651	26 559 651
Receivables from non-exchange transactions	22 921 128	22 921 128
Cash and cash equivalents	626 163	626 163
	<b>50 106 942</b>	<b>50 106 942</b>

##### Financial liabilities

	At amortised cost	Total
Financial lease obligation	1 463 024	1 463 024
Payables from exchange transactions	62 164 992	62 164 992
Payables from non-exchange transactions	1 005 258	1 005 258
Consumer deposits	63 246	63 246
	<b>64 696 520</b>	<b>64 696 520</b>

#### 2018

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	27 683 427	27 683 427
Receivables from non-exchange transactions	28 617 866	28 617 866
Cash and cash equivalents	12 614 053	12 614 053
	<b>68 915 346</b>	<b>68 915 346</b>

##### Financial liabilities

	At amortised cost	Total
Finance lease obligation	2 363 743	2 363 743
Payables from exchange transactions	52 872 502	52 872 502
Payables from non-exchange transactions	5 301 723	5 301 723
Consumer deposits	62 311	62 311
	<b>60 600 279</b>	<b>60 600 279</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>41. Commitments</b>		
<b>Authorised capital expenditure</b>		
Already contracted for but not provided for		
• Property, plant and equipment	74 944 783	33 101 946
<b>Total capital commitments</b>		
Already contracted for but not provided for	74 944 783	28 166 644
<b>Authorised operational expenditure</b>		
Already contracted for but not provided for		
• Total operational commitments	13 070 514	8 816 218
<b>Total operational commitments</b>		
Already contracted for but not provided for	13 070 514	8 633 494
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	74 944 783	28 166 644
Authorised operational expenditure	13 070 514	8 633 494
	<b>88 015 297</b>	<b>36 800 138</b>

This committed expenditure relates to various projects and will be financed by available bank facilities, unspent grants, existing cash resources, funds internally generated, etc.

### Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	429 178	448 699

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 12 months. No contingent rent is payable.



## Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

### Notes to the Adjusted Annual Financial Statements

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#### 42. Contingencies

The municipality is exposed to the following court cases:

Jongosizwe Family Trust vs Sundays River Valley Municipality - The municipality faces a possible financial exposure of R9 000 000 due to claim damaged by sewerage spill on their property resulting in loss of vegetation and profits thereof.

Zama Zondo Construction Services vs Sundays River Valley Municipality - Possible financial exposure of R12 000 000 due to claim on standing time and damages to work-in-progress as a result of the municipality's inability to settle outstanding financial transaction on previous work performed.

Qamasande Trading (Pty) Ltd vs Sundays River Valley Municipality - The municipality has a possible financial exposure of R30 000 000 due to alleged cancellation of a contract.

Thando Tsobo vs Sundays River Valley Municipality - The criminal matter with a financial exposure of R250 000 is awaiting high court decision as a petition has been filed.

Department of Water and Sanitation vs Sundays River Valley Municipality - The municipality is being sued for non payment of invoices relating to water usage. The parties are attempting to settle and a financial exposure of R5 000 000 is possible.

S Mfama and Others - Eviction with financial exposure of R100 000.

SANPARKS and Others - Review application against municipality and 17 other respondents- R150 000.

A Meyer vs Sundays River Valley Municipality - The municipality faces financial exposure of R50 000 for failing to meet pension fund contributions obligation .

R A Abdullah vs Sundays River Valley Municipality - The municipality faces financial exposure of R350 000 for Human Resource issues

Nomzamo Stock Farmers and Association vs Sundays River Valley Municipality - The municipality faces financial exposure of R1 500 000 for damages incurred in their property during excavation of municipal land.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

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### 43. Related parties

#### Relationships

Accounting Officer

Members of key management

S.S Fadi

N.G Bixa - Mayor

S.H Rune - Speaker

K Smith - Executive Committee Member

F Adams - Executive Committee Member

P,R Blou - Executive Committee Member

N.G Kausele - MPAC Chairperson

L.E Baka - Councillor

M Bosman - Councillor

A Dancey - Councillor

L Erasmus - Councillor

N Jack - Councillor

TH Blowu - Councillor

Z.A Tom - Councillor

A Ndawo - Councillor

S.C Nodonti - Councillor

M.C Payi - Councillor

N Ponco - Chief Financial Officer

T Machelesi - Director Corporate Services

N Mnyengeza - Director Community Services

M Nzuzo - Director Technical Services

Key Management and Councillors receive and pay for services on the same terms and conditions as other rate payers / residents.

#### Post employment benefit plan

The municipality does not contribute to any medical aid fund at the retirement of these employees.

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions

#### Councillors and employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with the municipality by any organisation or business.

#### Awards to close family members of persons in the service of the state

The municipality is not aware of any incidents where awards were made to close family members in the services of the state during the current financial year.

### 44. Change in estimate

#### Property, plant and equipment

GRAP 17: Property, Plant and Equipment requires that at each reporting date, the Municipality should assess whether there has been an indication that the expectation about the remaining useful lives of assets have changed. Such review was undertaken, together with an assessment of the conditions of such assets. The condition assessment was used to determine remaining useful lives of the assets and remaining useful lives were adjusted accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2019 financial period has decreased by R2 966 492 for the 2018/19 financial year.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

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### 45. Prior period errors

#### Cash and equivalents

Cash and cash was restated to outstanding receipts and payments which were not timeously captured.

Net adjustment is R29 407

#### Receivables from exchange transactions

Receivables from exchange transactions were restated based on existence of debtors. Debtors not found in the valuation roll and deeds registry were removed from the financial system accordingly.

Net adjustment is R19 820 864

#### Receivables from non-exchange transactions

Receivables from non-exchange transactions were restated based existences of debtors. Debtors not included in valuation roll and deeds office were removed from the financial system as existence could not be confirmed. Net adjustment of R2 078 631

#### Investment property

Investment property was restated due to a reallocation of vacant land with structures from Investment Property to PPE.

Net adjustment R8 534 700

#### Property, plant and equipment

Property, plant and equipment was restated based on newly identified buildings, community assets, land and care centres. The correction was also affected by capitalisation of completed projects which were previously recorded under work-in-progress. Vacant land with structures were also relocated from Investment Property to PPE.

Property, plant and equipment adjustment of R13 120 618

#### Consumer Deposit

Decrease in consumer deposits is a result of an adjustment for transaction which were not accounted for at year end.

Total adjustment is R1 383

#### Payables from exchange transactions

Other Expenditure was adjusted due to invoices that were not previously accounted for at year end. Construction work-in-progress adjustment due to work not being performed in previous year yet invoice was raised resulted in a net decrease of payables.

Net adjustment of R551 163

#### VAT payable

VAT payable was restated as a result of changes in receivables and payables restatement transactions for the prior year.

Net adjustment of R856 695

#### Service charge

Service charges were restated to correct the existence of debtors and write-off indigents. Net adjustment of R13 713 743

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand

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### 45. Prior period errors (continued)

#### Statement of financial performance

Decrease in Service charges	-	13 713 743
Decrease in Interest from Service Charges	-	3 738 149
Decrease in Other income	-	8 309
Decrease in Property rates	-	910 405
Decrease in Interest on Property rates	-	330 589
Increase in Rental	-	(4 025)
Decrease in Finance costs	-	(4 745)
Increase in Employee cost	-	237 389
Increase in Contracted services	-	74 359
Decrease in General expenditure	-	(2 130)
Decrease in Debt impairment	-	(9 284 252)
Decrease in Lease rental	-	(23 754)
Decrease in Accumulated surplus	-	(9 694 019)

#### Cash flow statement

#### Cash flow from operating activities

Previously reported	-	97 316 851
Correction	-	29 407
	-	97 346 258

### 46. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end are noted under the respective financial assets investments, trade and other receivables and cash and cash equivalents.

These balances represent the maximum exposure to credit risk

Financial instrument	2019	2018
Cash and cash equivalents	626 163	12 614 053
Receivables from exchange transactions	26 559 651	23 195 145

### 47. Events after the reporting date

No material facts or circumstances occurred between the accounting date and the date of the financial statements which require disclosure in the annual financial statements.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>48. Unauthorised expenditure</b>		
Opening balance as previously reported	140 163 178	94 332 584
<b>Opening balance as restated</b>	<b>140 163 178</b>	<b>94 332 584</b>
Add: Unauthorised Expenditure - current	-	40 383 005
Add: Unauthorised Expenditure: Grants incurred in current financial year but recognised in the following financial year	1 847 347	5 447 589
<b>Closing balance</b>	<b>142 010 525</b>	<b>140 163 178</b>
<b>49. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	4 461 183	3 977 437
<b>Opening balance as restated</b>	<b>4 461 183</b>	<b>3 977 437</b>
Add: Fruitless and wasteful Expenditure -current	776 479	483 746
<b>Closing balance</b>	<b>5 237 662</b>	<b>4 461 183</b>
<b>50. Irregular expenditure</b>		
Opening balance	210 612 005	132 052 481
Add: Irregular Expenditure - current year	52 794 794	65 921 659
<b>Opening balance as restated</b>	<b>263 406 799</b>	<b>197 974 140</b>
Add: Irregular Expenditure - prior period correction	-	12 637 865
<b>Closing balance</b>	<b>263 406 799</b>	<b>210 612 005</b>
<b>Amounts recoverable</b>		
<b>Amounts written-off</b>		
<b>51. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	-	572 640
Current year subscription / fee	866 783	660 932
Amount paid - current year	-	(660 932)
Amount paid - previous years	-	(572 640)
	<b>866 783</b>	<b>-</b>
<b>Audit fees</b>		
Opening balance	736 664	667 341
Current year subscription / fee	5 194 890	5 163 743
Amount paid - current year	(5 021 663)	(5 094 420)
	<b>909 891</b>	<b>736 664</b>
<b>PAYE and UIF</b>		
Opening balance	630 893	587 779
Current year subscription / fee	9 589 078	8 218 527
Amount paid - current year	(7 936 494)	(7 587 634)
Amount paid - previous years	(630 893)	(587 779)
	<b>1 652 584</b>	<b>630 893</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
<b>51. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Pension and Medical Aid Deductions</b>		
Opening balance	1 168 060	1 063 675
Current year subscription / fee	14 550 062	13 774 387
Amount paid - current year	(13 584 862)	(12 606 327)
Amount paid - previous years	(1 168 060)	(1 063 675)
	<b>965 200</b>	<b>1 168 060</b>

### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Adams Frans (001005601)	3 206	2 089	5 295
Blou Phindiwe (045174500)	1 921	27 497	29 418
Dancey Anthony (033403319)	1 853	44 911	46 764
Hawu Nombulelo (009194600)	573	4 909	5 482
Karen Smith (001027403)	3 010	-	3 010
P.D & K Smith (001016802)	19 080	171 827	190 907
	<b>29 643</b>	<b>251 233</b>	<b>280 876</b>

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dancey Anthony (033403319)	2 957	36 938	39 895
Grace Nombulelo Hawu (009194600)	569	3 041	3 610
Blou Phindiwe Regina (045174500)	1 644	20 976	22 620
P.D & K Smith (001016802)	103 221	57 975	161 196
Smith Karen (001027403)	2 993	-	2 993
	<b>111 384</b>	<b>118 930</b>	<b>230 314</b>

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand

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### 52. Actual operating expenditure versus budgeted operating expenditure

Material (>10 %) differences between budget and actual amounts.

# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
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### 52. Actual operating expenditure versus budgeted operating expenditure (continued)

#### Statement of Financial Performance:

##### **A1**

Service charges variance due to prudence principle applied during budget preparation and variations of consumption by consumers.

##### **A2**

Rental of facilities variance results from budgeted property rental billing being linked to rental of facilities and equipment.

##### **A3**

Interest received from service charges has a variance due to interest corrections made post adjustment budget entries made as a result of non-billing due to mSCOA conversions.

##### **A4**

Variance is mainly attributable to lower insurance refunds received than initially expected due to claims being rejected.

##### **A5**

Variance results from lower than expected investments made during the year.

##### **A6**

Variance results from a duplication of annual billing for government debtors during adjustment budget stage.

##### **A7**

Variance results from lower than anticipated trading licences issued.

##### **A8**

Variance is attributable to further allocations received from other spheres which had not been included in the budget as it was populated using DORA and relevant correspondence applicable.

##### **A9**

Variance results from receipt of unbudgeted donations in-kind from "Friends of the library".

##### **A10**

Less fines were issued than expected, furthermore, revenue was reduced by withdrawn and unequal payments issued by the Court.

##### **A11**

Variance in employee costs is attributable to inclusion of bonus provision, leave provision and movement in defined employee obligation mapped under employee cost for AFS presentation.

##### **A12**

Variance due to improved payment patterns and revision of the landfill site provision as more information was at hand at 30 June 2018, which allowed for the best estimate to be used.

##### **A13**

Variance due to reduction in leased operating rentals during the year.

##### **A14**

Variance is attributable to higher than anticipated debtors impairment during the year whereas budget had taken into account better implementation of credit control policies due to development of revenue enhancement plan.

##### **A15**

Lower than anticipated invoices recognised from Department of Water Affairs as they had lodged a dispute of non-payment of arrear accounts.

##### **A16**

Variance results from restrictions in terms of cashflows and better spending techniques.

##### **A17**



# Sundays River Valley Municipality

Adjusted Annual Financial Statements for the year ended 30 June 2019

## Notes to the Adjusted Annual Financial Statements

Figures in Rand	2019	2018
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### 52. Actual operating expenditure versus budgeted operating expenditure (continued)

Variance is as a result of cash constraints

#### A18

Variance is attributable to unbudgeted inventory water write-downs

#### A19

Variance is attributable to unbudgeted asset write downs due to assets not verified at year end verification.

### Statement of Financial Position

#### B1

Variance attributable to lower than expected purchases of inventory in comparison to previous years

#### B2

Variance attributable to change in billing based on database cleansing when splitting to various categories per mSCOA

#### B3

The variance results from additional funding received which was not included in the budget as documentation of receipt was not provided accordingly at this stage

#### B4

Variance is attributable to more computer software acquisition based on implementation of EDMS system which the budget apportioned for based on prior year patterns yet invoicing is per stage of completion.

#### B5

Variance is attributable to not budgeting for tax payable rather tax receivables

#### B6

Lesser finance lease liability entered into than anticipated when compared to previous contracts

#### B7

Variance is a result of accruals being raised at year end.

#### B8

Employee benefits obligation where budgeted for under trade payables as they don't form part of A\_Schedule template by Treasury

#### B9

Variance results is attributable to not budgeting for unspent as the municipality was to ensure all grants are spent accordingly within the planned timeframes.

#### B10

Variance results from best estimate measurement calculations for landfill site due to availability of information.

### 53. Actual capital expenditure versus budgeted capital expenditure

Material differences between budget and actual amounts.